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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

92065545

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

L92-2238

FOR QUARTER ENDED January 31, 1992 COMMISSION FILE NO. 0-8512

MONARCH AVALON, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-1073628
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
4517 Harford Road, Baltimore, Maryland	21214
(address of principal executive offices)	(Zip Code)

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Registrant's telephone number, including area code 301-254-9200

Not applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $.25 Par Value—1,652,770 shares as of January 31, 1992

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PART I. FINANCIAL INFORMATION

ITEM I FINANCIAL STATEMENTS

MONARCH AVALON, INC.

CONDENSED STATEMENTS OF FINANCIAL CONDITION

ASSETS	January 31, 1992 (unaudited)	April 30, 1991
	(000's omitted)	
CURRENT ASSETS		
Cash and cash equivalents	$2,769	$2,818
Marketable securities (at lower of cost or market)	156	156
Accounts receivable, less allowance for doubtful accounts	1,004	1,171
Inventories—at lower of cost (first-in, first-out) or market		
Raw material and component parts	1,144	1,157
Work in progress	239	230
Finished goods	817	782
	2,200	2,169
Other current assets	142	79
TOTAL CURRENT ASSETS	6,271	6,393
PROPERTY AND EQUIPMENT	4,100	4,042
Less allowance for depreciation	(3,551)	(3,412)
	549	630
OTHER ASSETS AND DEFERRED CHARGES	108	111
	$6,928	$7,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 265	$ 263
Accrued expenses	309	385
Income taxes payable		35
TOTAL CURRENT LIABILITIES	574	683
STOCKHOLDERS' EQUITY		
Preferred Stock—par value $.01 per share: Authorized 100,000 shares; no shares issued		
Common Stock—par value $.25 per share: Authorized 3,000,000 shares; shares issued—2,109,985; shares outstanding 1,652,770 on January 31, 1992; 1,723,270 on April 30, 1991	527	527
Capital surplus	3,454	3,552
Retained earnings	2,487	2,469
	6,468	6,548
Treasury stock at par—457,215 shares on January 31, 1992; 386,715 shares on April 30, 1991	(114)	(97)
	6,354	6,451
	$6,928	$7,134

See notes to condensed financial statements.

MONARCH AVALON, INC.

CONDENSED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	1992	1991	1992	1991
	(000's omitted, except share data)		(000's omitted, except share data)	
Net sales	$ 1,709	$ 2,278	$ 5,021	$ 5,634
Cost of goods sold	1,250	1,701	3,556	4,137
Gross profit	459	577	1,465	1,497
Selling, general and administrative expenses	430	457	1,365	1,291
Research and development	77	73	206	232
	507	530	1,571	1,523
Income (loss) from operations	(48)	47	(106)	(26)
Other income–net	39	49	124	129
Pre-Tax income (loss)	(9)	96	18	103
Income taxes	0	0	0	0
Net income (loss)	$ (9)	$ 96	$ 18	$ 103
Income (loss) per share	$ (.01)	$ .06	$ .01	$ .06
Weighted average shares outstanding	1,652,770	1,727,770	1,660,048	1,732,214

See notes to condensed financial statements.

MONARCH AVALON, INC.

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended January 31,	
	1992	1991
	(000's omitted)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 18	$ 103
Noncash charges to operations		
Depreciation	139	197
Amortization	11	35
Changes in accounts receivable, inventories, other assets, accounts payable and accrued expenses	(44)	334
Net cash provided by operating activities	124	669
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net additions to property and equipment	(58)	(38)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(115)	(70)
Proceeds from short term borrowings	0	100
Payments on short term borrowings	0	(100)
Net cash used in financing activities	(115)	(70)
Net increase (decrease) in cash and cash equivalents	(49)	561
Cash and cash equivalents at beginning of period	2,818	2,027
Cash and cash equivalents at end of period	$2,769	$ 2,588

See notes to condensed financial statements.

MONARCH AVALON, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

January 31, 1992

NOTE A—BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and charges) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended January 31, 1992 are not necessarily indicative of the results that may be expected for the year ending April 30, 1992. For further information, reference should be made to the financial statements and notes included in the Company's annual report on Form 10-K for the year ended April 30, 1991.

NOTE B—INVENTORIES

For quarterly reporting purposes, the Company values inventory using both perpetual records and physical counts, while at year-end values are determined solely on the basis of physical counts.

NOTE C—DISSOLUTION AND MERGER OF SUBSIDIARIES

At April 30, 1991, Victory Games, Inc., Microcomputer Games, Inc. and Monarch Toy Company, LTD. were voluntarily dissolved. The Avalon Hill Game Company, Inc. merged with Monarch Avalon, Inc. leaving Monarch Avalon, Inc. as the remaining operating entity.

ITEM II

MONARCH AVALON, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITICN AND RESULTS OF OPERATIONS

RESULTS FOR THE FIRST NINE MONTHS OF FISCAL 1992 and 1991

Net sales for the first nine months of fiscal 1992 decreased $613,000 or 11%, compared to the first nine months of fiscal 1991. Printing and envelope sales were down $646,000 or 27%, reflecting the current economic trends in the printing industry. Game sales increased $33,000, or 1% due to an increase in new game releases, promotional activities and new international and domestic accounts.

Cost of sales as a percentage of sales was 71% for the first nine months of fiscal 1992 and 73% for the first nine months of fiscal 1991. The principal reason for this decrease was due to a reduction in depreciation expense.

Selling, general and administrative expenses increased $74,000, or 6%, for the first nine months of fiscal 1992. This escalation is due to the Company's increased involvement in additional advertising and promotional activities.

Research and development expenses decreased 11% over the first nine months of fiscal 1992. This decrease was due to the consolidation of research and development activities.

LIQUIDITY AND SOURCES OF CAPITAL

At January 31, 1992, cash and cash equivalents were $2,769,000, a decrease of $49,000 from the balance at April 30, 1991. The Company continues to maintain a strong cash position.

PART II. OTHER INFORMATION

ITEMS 1 THROUGH 5
NONE / NOT APPLICABLE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
The Company filed a report on Form 8-K dated August 22, 1991 to report, under Item Five of Form 8-K, changes in the terms of certain stock options issued to certain officers and directors of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned thereunto duly authorized.

MONARCH AVALON, INC.
(Registrant)

Date 3/13/92

A. Eric Dott
Chairman of Board

Date 3/13/92

Frank E. Fontanazza
Chief Financial Officer